

Marlette Community Fire Department
Sanilac County, Michigan

Annual Financial Report
March 31, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Marlette Community Fire Department	County Sanilac County
Fiscal Year End March 31, 2006	Opinion Date July 12, 2006	Date Audit Report Submitted to State November 22, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

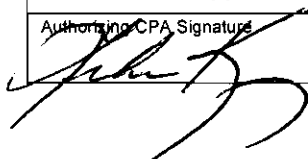
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Lehn L. King, C.P.A.		Telephone Number 989-635-3113	
Street Address 3531 Main Street		City Marlette	State MI
		Zip 48453	
Authorizing CPA Signature 		Printed Name Lehn King	License Number A248781

Marlette Community Fire Department
Annual Financial Report
For The Fiscal Year Ended March 31, 2006

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LEHN L. KING

CERTIFIED PUBLIC ACCOUNTANT

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MARLETTE, MICHIGAN 48453

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Members of the Marlette Community
Fire Department
Sanilac County, Michigan

Independent Auditor's Report

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Marlette Community Fire Department, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Fire Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Marlette Community Fire Department, Michigan's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluation the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Marlette Community Fire Department, Michigan as of March 31, 2006 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, I did not audit the information and express no opinion on it.

The Audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Marlette Community Fire Department, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 1, the Fire Department has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of April 1, 2004.

Lehn King

Lehn L. King
Certified Public Accountant

July 12, 2006

Marlette Community Fire Department

Marlette, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS LETTER

Our discussion and analysis of the Marlette Community Fire Department's financial performance provides an overview of the Fire Department's financial activities for the fiscal year ended March 31, 2006. Please read it in conjunction with the Fire Department's financial statements.

Financial Highlights

The Fire Department is in a good financial position with a General Fund Balance of \$50,081.

Using this Report

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No.34. GASB Statement 34 implements a new model of financial reporting for state and local governments designed to enhance the usefulness of the Fire Department's annual report.

The Fire Department as a Whole

The Marlette Community Fire Department's fund balance is as follows:

	March 31, 2006	March 31, 2005
General Fund	<u>\$ 50,081</u>	<u>\$ 53,258</u>
Total for Fire Department	<u><u>\$ 50,081</u></u>	<u><u>\$ 53,258</u></u>

Marlette Community Fire Department

Marlette, Michigan

Governmental Activities

The Marlette Community Fire Department's Revenues and Expenditures can be summarized as follows:

	<u>General Fund</u>
Fund Balance - Beginning of Year	\$ 53,258
Revenue Collected	
Charges for Services	183,452
Interest	427
Other	<u>1,800</u>
Total Revenue Collected	<u>185,679</u>
Expenditures	
Public Safety	68,490
Capital Outlay	32,152
Debt Service	<u>88,214</u>
Total Expenditures	<u>188,856</u>
Fund Balance - End of Year	<u><u>\$ 50,081</u></u>

Marlette Community Fire Department

Marlette, Michigan

Economic Factors and Next Year's Budget and Rates

The Marlette Community Fire Department's 2006/2007 adopted budgets are as follows:

	General Fund	
	March 31,	
	2007	2006
Revenue		
Charges for Services	161,000	161,000
Interest	-	-
Miscellaneous	3,115	3,115
Total Revenue Collected	164,115	164,115
Expenditures		
Public Safety	56,000	56,000
Capital Outlay	15,000	15,000
Debt Service	93,115	93,115
Total Expenditures	164,115	164,115
Net Over/Under Budget	\$ -	\$ -

Contacting the Fire Department

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Fire Department's finances and to demonstrate the Fire Department's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Fire Department office at 6064 E. Marlette Road, Marlette, Michigan or by telephone at (989) 635-5034.

Marlette Community Fire Department

Marlette Community Fire Department

Statement of Net Assets (Deficit)

March 31, 2006

	<u>Primary Government Governmental Activities</u>
<u>Assets</u>	
Cash & Cash Equivalents	\$ 50,080.82
Capital Assets (Net of Accumulated Depreciation)	<u>1,033,748.13</u>
Total Assets	1,083,828.95
<u>Liabilities</u>	
Accrued Interest Payable	\$ 1,015.00
Current Portion of Long-Term Debt	65,199.00
Noncurrent Liabilities:	
Long-Term Debt	<u>518,300.38</u>
<u>Total Liabilities</u>	<u>584,514.38</u>
Net Assets (Deficit)	
Invested in Capital Assets - Net of Related Debt	449,233.75
Unrestricted	<u>50,080.82</u>
<u>Total Net Assets (Deficit)</u>	<u><u>\$ 499,314.57</u></u>

The notes are an integral part of the statements.

Marlette Community Fire Department

Statement of Activities

For the Year Ended March 31, 2006

	Program Revenues			Net (Expense) Revenue & Changes in Net Assets
	Expenses	Charges for Services	Operating Grants & Contributions	Primary Government Governmental Activities
Functions/Programs				
Primary Government:				
Governmental Activities:				
Public Safety	\$ 113,238.75	\$ 183,452.37	\$ -	\$ 70,213.62
Interest on Long-Term Debt	25,627.40	-	-	(25,627.40)
Total Governmental Activities	\$ 138,866.15	\$ 183,452.37	\$ -	44,586.22
General Revenues:				
Interest				\$ 427.26
Other Revenues				1,799.82
Total General Revenues, Special Items & Transfers				2,227.08
Change in Net Assets				46,813.30
Net Assets (Deficit) - Beginning of Year				452,501.27
Net Assets (Deficit) - End of Year				\$ 499,314.57

The notes are an integral part of the statements.

Marlette Community Fire Department

Governmental Funds

Balance Sheet

March 31, 2006

	General Fund	Total Governmental Funds
<u>Assets</u>		
Cash & Certificates of Deposit	\$ 50,080.82	\$ 50,080.82
<u>Total Assets</u>	\$ 50,080.82	\$ 50,080.82
<u>Liabilities & Fund Equity</u>		
<u>Liabilities</u>		
<u>Total Liabilities</u>	\$ -	\$ -
<u>Fund Equity</u>		
Fund Balances		
- Unreserved & Undesignated	50,080.82	50,080.82
<u>Total Fund Balances</u>	50,080.82	50,080.82
<u>Total Liabilities & Fund Equity</u>	\$ 50,080.82	\$ 50,080.82

The notes are an integral part of the statements.

Marlette Community Fire Department

Governmental Funds Reconciliation of Fund Balances to the Statement of Net Assets (Deficit) For The Year Ended March 31, 2006

Total Fund Balances for Governmental Funds	\$ 50,080.82
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Amounts reported for Governmental Activities in the Statement of
Net Assets (Deficit) are different because:

Capital Assets used in Governmental Activities are not Financial Resources and are not reported in the Funds	1,033,748.13
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Long-Term Bonds Payable are not due and payable in the current period and are not reported in the Funds	(583,499.38)
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Accrued Interest Payable is not reported in the Funds	<u>(1,015.00)</u>
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Net Assets of Governmental Activities	<u>\$ 499,314.57</u>
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The notes are an integral part of the statements.

Marlette Community Fire Department

Governmental Funds

Statement of Revenues, Expenditures, And Changes in Fund Balances

For The Year Ended March 31, 2006

	General Fund	Total Governmental Funds
<u>Revenues</u>		
Charges for Services	\$ 183,452.37	\$ 183,452.37
Interest Earnings	427.26	427.26
Other Revenues	1,799.82	1,799.82
<u>Total Revenues</u>	<u>185,679.45</u>	<u>185,679.45</u>
<u>Expenditures</u>		
Public Safety	68,489.88	68,489.88
Capital Outlay	32,152.00	32,152.00
Debt Service - Principal	62,587.00	62,587.00
Debt Service - Interest	25,627.40	25,627.40
<u>Total Expenditures</u>	<u>188,856.28</u>	<u>188,856.28</u>
Excess of Revenues Over (Under) Expenditures	(3,176.83)	(3,176.83)
<u>Other Financing Sources (Uses)</u>		
Operating Transfers In (Out)	-	-
Net Change in Fund Balances	(3,176.83)	(3,176.83)
<u>Fund Balances - Beginning of Year</u>	<u>53,257.65</u>	<u>53,257.65</u>
<u>Fund Balances - End of Year</u>	<u>\$ 50,080.82</u>	<u>\$ 50,080.82</u>

The notes are an integral part of the statements.

Marlette Community Fire Department

Governmental Funds

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For The Year Ended March 31, 2006

Net Change in Fund Balances - Total Governmental Funds	\$ (3,176.83)
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Amounts reported for Governmental Activities in the Statement of
Activities are different because:

Governmental Funds report Capital Outlays as Expenditures in the Statement of Activities, these costs are capitalized and allocated over their estimated useful lives as Depreciation	32,152.00
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Repayment of Bond Principal is an Expenditure in the Governmental Funds, but not in the Statement of Activities (where it reduces Long-Term Debt)	62,587.00
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Interest Expense is reported in the Statement of Activities when a Liability is incurred; they are reported in the Governmental Funds only when payment is due	-
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Depreciation is an Expenditure for the Statement of Activities, but is not reported in the Governmental Funds	<u>(44,748.87)</u>
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Net Assets of Governmental Activities	<u><u>\$ 46,813.30</u></u>
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Marlette Community Fire Department

Notes to the Financial Statements
For The Year Ended March 31, 2006

The accounting methods and procedures adopted by the Fire Department of Marlette Community Fire Department, Sanilac County, Michigan, conform to generally accepted accounting principles as applied to executive entities. The following notes to the financial statements are an integral part of the Fire Departments Comprehensive Annual Financial Report.

1. Summary of Significant Accounting Policies

Financial Reporting Entity

The Marlette District Fire Department is the City of Marlette and Marlette Township, adjoining municipalities, providing fire Protection to the residents of their respective municipalities. This agreement was entered into as of the 18th day of May, 1991. Those agreement was adopted pursuant to authority granted the City and Township under P.A. 7 of 1967, known as the urban cooperation act of 1967.

In accordance with the provisions of the Governmental Accounting Standards Board (GASB) in its Statement No. 14, the Marlette Community Fire Department is not considered to be part of any other governmental entity for financial reporting purposes. The criteria established by GASB for determining the various organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public services, fiscal independence, financial accountability, imposition of will and financial benefit or burden. On this basis, the financial statements of other governmental organizations are not included in the financial statements of the Marlette Community Fire Department.

Component Units - In accordance with generally accepted accounting principles, there are no component units of Government required to be included in the Financial Reporting Entity either as blended component units or discretely presented component units.

Government-wide and Fund Statements Fund

The Government-wide Financial Statements (i.e., the Statement of Net Assets (Deficit) and the Statement of Activities) report information on all the nonfiduciary activities of the Fire Department (the primary government). The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function (governmental activities) or identifiable activity (business-type activities) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other revenue items properly excluded from program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the Government-wide Financial Statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Fire Department reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Department. It is used to account for all financial resources.

Marlette Community Fire Department

Notes to the Financial Statements
For The Year Ended March 31, 2006

Measurement Focus and Basis of Accounting

The Government-wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period, generally collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, intergovernmental revenues, special assessments, licenses, charges for services, and interest. All other revenue items are considered to be available only when cash is received by the Fire Department. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, and claims and judgments are recorded only when payment is due.

Cash - The Fire Department does not pool cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the Fire Department's investments.

Investments - Debt securities are valued at cost since it is generally the policy of the Fire Department to hold such investments until they mature.

Due to and Due from Other Funds - Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Capital Assets - Capital assets, which include buildings and equipment, are reported in the applicable governmental column in the Government-wide Financial Statements. Capital assets are defined by the Fire Department as assets with an initial individual cost of more than \$750 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings & Building Improvements	20 to 50 years
Machinery & Equipment	3 to 25 years

Marlette Community Fire Department

Notes to the Financial Statements
For The Year Ended March 31, 2006

Long-Term Obligations - In the Government-wide Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, issuance costs, and the deferred amount on refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred amount on refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Accounting Changes

GASB Statement No. 34 – Effective April 1, 2004, the Fire Department implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB No. 34). Changes to the Fire Department's financial statements as a result of GASB No. 34 are as follows:

- A management's discussion and analysis (MD&A) section providing analysis of the Fire Department's overall financial position and results of operations has been included.
- Government-wide Financial Statements (statement of net assets (deficit) and statement of activities) prepared using full accrual accounting for all of the Fire Department's activities have been provided.
- Capital assets in the governmental activities column of the statement of net assets (deficit) includes assets not previously accounted for by the Fire Department as well as assets previously reported in the General Fixed Assets Account Group. In addition, the governmental activities column includes bonds and other long-term obligations previously reported in the General Long-term Debt Account Group.
- The fund financial statements focus on major funds rather than fund types.

Marlette Community Fire Department

Notes to the Financial Statements
For The Year Ended March 31, 2006

2. Stewardship, Compliance, and Accountability

Budgetary Information

The Fire Department is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following statements represent a brief synopsis of the major provisions of this Act:

1. Budgets must be adopted for the General Fund and Special Revenue Funds, Debt Service Funds, Capital Project Funds.
2. The budgets must be balanced. The balanced budget may include a contribution to or appropriation from fund balance.
3. The budgets must be amended when necessary.
4. Debt cannot be entered into unless permitted by law.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures cannot be made unless authorized in the budget.
7. Public hearings must be held before budget adoptions.

In the body of the financial statements, the Fire Department's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The budget is used by the Fire Department Board as a management tool during the year for all budgetary funds. The budgets are adopted on a cash basis, which is not consistent with generally accepted accounting principles. Budgetary control is exercised at the departmental level. Budgets for the General Fund and the major Special Revenue Funds, Debt Service Funds, and Capital Project Funds are presented in the required supplemental information.

During the year ended March 31, 2006, the Fire Department incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	<u>Total</u> <u>Appropriations</u>	<u>Amount of</u> <u>Expenditures</u>	<u>Budget</u> <u>Variance</u>
<u>Fire Operating Fund</u>			
Operating Supplies	\$ 4,000	\$ 11,558	\$ 7,558
Training	2,000	2,316	316
Repairs & Maintenance	2,000	7,619	5,619
Insurance	14,000	14,960	960
Utilities	11,000	11,394	394
Capital Outlay	15,000	32,152	17,152

Marlette Community Fire Department

Notes to the Financial Statements
For The Year Ended March 31, 2006

3. Cash and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Fire Department Board has designated one bank for the deposit of Department funds. The investment policy adopted by the Board is in accordance with Public Act 196 of 1997. The Board has authorized investment in bank accounts and CDs, but not the remainder of State statutory authority as listed above. The Department's deposits are in accordance with statutory authority. All cash deposits and investments of the Department are held by the Department in the Department's name.

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Total Primary Government</u>
Cash & Cash Equivalents	<u>\$ 50,081</u>	<u>\$ 50,081</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>
Bank Deposits (Checking & Savings Accounts, CDs)	<u>\$ 50,081</u>

The bank balance of the primary government's deposits is \$50,081, of which \$50,081 is covered by federal depository insurance and \$0- is collateralized with U.S. Treasury securities held by the pledging financial institution's trust department in the Department's name.

The GASB Statement 3 risk disclosures for the Local Unit's investments are as follows:

<u>Investment Type</u>	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>	<u>Market Value</u>
NONE					

The cash and investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

Category 1	Insured or registered, or securities held by the Department or its agent in the Department's name.
Category 2	Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Department's name.
Category 3	Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Department's name.

Marlette Community Fire Department

Notes to the Financial Statements
For The Year Ended March 31, 2006

4. Capital Assets

Capital Assets activity of the Fire Department's governmental activities (and business-type) was as follows:

	Balance April 1, 2005	Additions	Disposals & Adjustments	Balance March 31, 2006
Governmental Activities:				
Capital Assets Being Depreciated:				
Buildings & Building Improvements	\$ 761,967	\$ -	\$ -	\$ 761,967
Machinery & Equipment	560,901	32,152	-	593,053
Total Capital Assets being Depreciated	1,322,868	32,152	-	1,355,020
Accumulated Depreciation:				
Buildings & Building Improvements	83,816	15,239	-	99,055
Machinery & Equipment	192,707	29,510	-	222,217
Total Accumulated Depreciation	276,523	44,749	-	321,272
Net Capital Assets	\$ 1,046,345	\$ (12,597)	\$ -	\$ 1,033,748

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:	
Public Safety	\$ 44,749
Total Governmental Activities	<u>\$ 44,749</u>

5. Long-Term Debt

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Governmental Activities						
Mortgage & Note Payables						
Fire Hall Construction		\$25,802 -				
Amount of Issue - \$750,000		\$43,376	\$ 575,384	\$ (45,224)	\$ 530,160	\$ 47,151
Maturing through 2015	4.18%					
Note Payable - Litter Truck		\$16,530 -				
Amount of Issue - \$120,000	3.88%	\$18,761	\$ 70,702	\$ (17,363)	\$ 53,339	\$ 18,048
Maturing through 2008						
Total			<u>\$ 646,086</u>	<u>\$ (62,587)</u>	<u>\$ 583,499</u>	<u>\$ 65,199</u>

Marlette Community Fire Department

Notes to the Financial Statements
For The Year Ended March 31, 2006

5. Long-Term Debt - Continued

Annual debt service requirements to maturity for the above governmental bond and contract obligations are as follows:

Years Ending March 31,	Governmental Activities		
	Principal	Interest	Total
2007	\$ 65,199	\$ 23,015	\$ 88,214
2008	67,921	20,293	88,214
2009	67,785	17,461	85,246
2010	53,439	14,976	68,415
2011	55,716	12,699	68,415
2012-2016	273,439	26,275	299,714
Total	\$ 583,499	\$ 114,719	\$ 698,218

6. Interfund Receivables, Payables, & Transfers

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "Due from other funds" or "Due to other funds" on the balance sheet. The amounts of interfund receivables and payables are as follows:

NONE

Interfund Transfers reported in the Fund Statements are as follows:

NONE

7. Post Employment Benefits

The Fire Department does not provide any post employment benefits.

8. Risk Management

The Fire Department is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical and workman's compensation benefits provided to employees. The Fire Department has purchased commercial insurance for the various risks of loss stated above.

Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage's obtained through commercial insurance during the past year.

Required Supplemental Information

Marlette Community Fire Department

Required Supplemental Information

Budgetary Comparison Schedule

Fire Authority Fund

For The Year Ended March 31, 2006

	<u>Original Budget</u>	<u>Amended Actual</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<u>Revenues</u>				
Standby Fees - Municipalities	\$ 161,000.00	\$ 161,000.00	\$ 161,000.00	\$ -
Charges for Services - Jaws of Life & Air	750.00	750.00	4,202.37	3,452.37
Detroit Edison - Downed Wires	-	-	18,250.00	18,250.00
Interest Earnings	-	-	427.26	427.26
Other Revenues	12,250.00	12,250.00	1,799.82	(10,450.18)
<u>Total Revenues</u>	<u>174,000.00</u>	<u>174,000.00</u>	<u>185,679.45</u>	<u>11,679.45</u>
<u>Expenditures</u>				
Salaries, Wages, & FICA	20,000.00	20,000.00	17,881.59	2,118.41
Operating Supplies	4,000.00	4,000.00	11,558.10	(7,558.10)
Training	2,000.00	2,000.00	2,316.00	(316.00)
Gasoline & Oil	2,000.00	2,000.00	1,961.07	38.93
Repairs & Maintenance	2,000.00	2,000.00	7,618.77	(5,618.77)
Insurance	14,000.00	14,000.00	14,960.00	(960.00)
Legal & Professional	1,000.00	1,000.00	800.00	200.00
Utilities	11,000.00	11,000.00	11,394.35	(394.35)
Capital Outlay	15,000.00	15,000.00	32,152.00	(17,152.00)
Debt Service:				
Principal	66,615.00	66,615.00	62,587.00	4,028.00
Interest	26,500.00	26,500.00	25,627.40	872.60
<u>Total Expenditures</u>	<u>164,115.00</u>	<u>164,115.00</u>	<u>188,856.28</u>	<u>(24,741.28)</u>
Excess of Revenues Over (Under) Expenditures	9,885.00	9,885.00	(3,176.83)	36,420.73
<u>Other Financing Sources</u>				
Operating Transfers In (Out)	-	-	-	-
<u>Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses</u>	9,885.00	9,885.00	(3,176.83)	36,420.73
<u>Fund Balance - Beginning of Year</u>	<u>-</u>	<u>-</u>	<u>53,257.65</u>	<u>53,257.65</u>
<u>Fund Balance - End of Year</u>	<u>\$ 9,885.00</u>	<u>\$ 9,885.00</u>	<u>\$ 50,080.82</u>	<u>\$ 89,678.38</u>

Other Supplemental Information

Marlette Community Fire Department

Other Supplemental Information
Schedule of Indebtedness
March 31, 2006

Fire Hall Construction Mortgage

Dated: August 22, 1999

Original Issue: \$750,000

Interest Rate	Annual Maturity	Principal Outstanding March 31,		Remaining Annual Interest Payable
		2006	2005	
4.18%	8/22/2005	\$ -	\$ 45,224	\$ -
4.18%	8/22/2006	47,151	47,151	21,264
4.18%	8/22/2007	49,160	49,160	19,255
4.18%	8/22/2008	51,255	51,255	17,160
4.18%	8/22/2009	53,439	53,439	14,976
4.18%	8/22/2010	55,716	55,716	12,699
4.18%	8/22/2011	58,090	58,090	10,325
4.18%	8/22/2012	60,565	60,565	7,850
4.18%	8/22/2013	63,146	63,146	5,269
4.18%	8/22/2014	65,836	65,836	2,578
4.18%	8/22/2015	25,802	25,802	253
Total Bond Payable		\$ 530,160	\$ 575,384	\$ 111,629

Latter Truck Note Payable

Dated: December 7, 2001

Original Issue: \$120,000

Interest Rate	Date of Maturity	Principal Outstanding March 31,		Remaining Annual Interest Payable
		2006	2005	
3.88%	11/10/2005	\$ -	\$ 17,363	\$ -
3.88%	11/10/2006	18,048	18,048	1,751
3.88%	11/10/2007	18,761	18,761	1,038
3.88%	11/10/2008	16,530	16,530	301
Total Bond Payable		\$ 53,339	\$ 70,702	\$ 3,090
Total Bonds Payable		\$ 583,499	\$ 646,086	\$ 114,719

LEHN L. KING

CERTIFIED PUBLIC ACCOUNTANT

3531 MAIN STREET
MARLETTE, MICHIGAN 48453

Phone 989-635-3113
Fax 989-635-5580

July 12, 2006

Members of the Fire Department Board
Marlette Community Fire Department
Sanilac County, Michigan

Members of the Township Board:

In accordance with your request, I have made an examination of the financial statements of Marlette Township for the fiscal year ended March 31, 2006. During the course of my examination, no material items came to my attention.

From an overall viewpoint, the Marlette Community Fire Department is in good financial condition. The financial records were maintained in good order.

I thank the Fire Department officials for the cooperation I received in the completion of this examination. Should you have any questions in connection with the above, please contact me at your convenience.

Sincerely,

Lehn King

Lehn L. King
Certified Public Accountant